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Subject: 2007 TRENDING RATIO STUDY

PIKE 2007 TRENDING ACTIVITY SUMMARY

Pike County's 2007 trending was in progress in the summer of 2007 when the county was ordered to retrend its 2006 commercial and industrial parcels. A large amount of the 2006 retrending data was incorporated into finishing the 2007 trending/ 2007 ratio study. A summary of activities is listed below that were used during the 2007 trending project.

(1) Correcting Property Class Codes. During the 2006 retrending process the property class codes of all parcels (commercial, industrial) involved in the retrend were rechecked for accuracy. There were multiple state-assessed (RR distributable property) parcels that were incorrectly listed as industrial vacant parcels. There were also several parcels owned by Hoosier Energy and Indianapolis Power and Light misclassified as Industrial, instead of local assessed utility. There were also multiple exempt parcels including churches that were miscoded as commercial. Those codes were changed to match the corresponding exempt classification. There were also various residential and agricultural parcels that had been miscoded as commercial. After the property class codes were revised the totals for each class changed significantly, including a 37% drop in the number of industrial vacants.

Following the revision of the commercial and industrial class codes, the assessor's office began reviewing the class codes of residential and agricultural class codes. The process is still ongoing, but a very large number of class codes have been changes to date, primarily those involving platted vs. Unplatted legal descriptions. A complete revision of the codes should improve the accuracy of any reports that are ran using class codes as the search indicator.

(2) Neighborhood Review. The boundaries of each neighborhood were reviewed. The boundary lines were not changed but there were several parcels found to be listed in the wrong neighborhoods and the neighborhood codes were changed on those parcels.

(3) Use of MLS Data. Due to the small size of the county, and the limited number of real estate offices, the amount of MLS data is extremely limited. Much of the data available online must be obtained from agencies from adjacent counties that have parcels from Pike County listed. However, what data that was available has been incorporated into the 2007 trending process, and the county has actively used such data for the past 5 years.

(4) On-Site Inspections. Various commercial and industrial parcels were rechecked in the field during the retrending process. The rechecks involved verification of data on the property cards, checking current and previous occupancy/use, condition and verification of measurements. This review of commercial properties included all of the commercial-industrial parcels in Lockhart and Monroe Townships, about 50% of the parcels in Winslow/ Patoka Township, about 25% of Jefferson Township and about 2 dozen parcels in Petersburg/ Washington Township.

A substantial number of residential parcels were also rechecked during the trending process. The appraisal vendor hired by the county was required to conduct a field review of any residential parcels where the assessed value and sales price differed by at least 20%. During on-site interviews the differences were often due to family or forced sales, however dozens of changes

were made to property cards due to remodeling, removals, additions and other changes found in the field.

(5) Disclosure Validation and Verification. The initial verification and validation of sales disclosures is carried out by the assessor's office staff. The primary method used is by mailing questionnaires concerning the sales to both the sellers and buyers. Follow-up calls are used when no data is returned or when the data on the forms conflicts between buyer and seller.

(6) Revised Land Values. Land values for each class of property within each neighborhood were reviewed. Various land values were deemed to be too low and were changed during the process. This was carried out by either changing the land rate pages within the county's software system or by applying a trending factor to the land. The method used was determined by which would be most appropriate (e.g. If all the land within a subdivided neighborhood was too low then it was adjusted with a trend factor. If only the excess acreage in a neighborhood was deemed too low then it was adjusted through changing rates on the land control page).

(7) Incorporation of GIS Data. The county recently obtained a GIS package and has frequently used this new tool as part of the trending process. It should be more helpful during the next general reassessment when it can be used on a more extensive scale.

(8) Broker/ Appraiser Data. Due to the limited amount of sales of commercial and industrial property the county contracted with a local Real Estate Broker to obtain written opinion's of value of commercial property along Main Street in Petersburg and of potential industrial sites along Illinois Street in Petersburg/ Washington Township. The county also obtained a narrative from one of the most experienced broker/ appraisers in the county detailing the market conditions found in the Town of Winslow and Patoka Township. This narrative opinion helps document why values of most commercial parcels in Winslow were lowered in 2006 and again in 2007.

(9) Income Data. During the retrending process the county assessor obtained rental data on all of the privately-owned apartment complexes in the county. That data was incorporated into the review and resulted in limited economic obsolescence adjustments. The number of leased office-retail establishments is extremely low and no rental data was gathered on those properties.

(10) Updating Cost Tables/ Revising Depreciation. The most involved part of the 2006 retrending involved updating the cost tables and revising the depreciation on improvements. While this was quite time-consuming during the 2006 retrend, it helped simplify the updates that were made during the 2007 trending. After reviewing four different cost indexes contained in the Marshall Valuation Service, it was determined that an index or factor of 1.27 (127%) should be applied to the cost tables to update the January 1, 1999 costs to bring them to January 1, 2005 levels. These factors were loaded into the control pages of the county's Proval computer system and each c/i neighborhood was recalculated. Following the recalculation new physical depreciation numbers were applied and the parcels were reviewed to see which warranted additional obsolescence. Obsolescence amounts were changed only if sales of similar parcels indicated the values were too high or too low.

During the 2007 trending the same procedure was carried out. The only difference being that the new index/ factor was determined to be 1.33 (133%), and the improvements were redepreciated for January 1, 2006. By carrying out the 2006 retrend with this same process it helped simplify the 2007 process.

(11) Development/ Review of Improvement Multipliers. The most involved part of the 2007 trending process was review of each improvement cost multiplier/ trend factor for each corresponding neighborhood. This involved not only the sales from the 2005 and 2006 required years, but time-adjusted sales from 2007, 2004 and 2003 where needed. Due to the extremely small size of the county expanded sales years were required in each of the 9 townships.

(12) Format Revisions. Some general changes were made to the previous ratio study format. A sales counter was added to the bottom of each page. Additional columns were added to show 2006 assessed values along with the 2007 assessed values. The adjusted sales price column was split into two columns showing the original sale price and the adjusted sale price.